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Report Highlights:

Government rice stocks fell to 6.1 million tons on October 1, 2004, which is below the government's desired buffer stock level. In the absence of government subsidy, Indian wheat and rice is no longer competitive in the world market and exports have declined sharply.

Includes PSD Changes: No
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RICE

No change in the PS&D Table

Procurement Ahead of Last Year

Procurement of paddy/rice by various government agencies under the price support/levy scheme during MY 2004/05 (Oct-Sep) is marginally ahead of last year at 8.3 million tons (milled basis) as of November 16, 2004. Most of the procurement so far has been from the major northern surplus states of Punjab and Haryana. Because of the anticipated decline in rice production in several states, government rice procurement for the entire MY 2004/05 is expected to be 1 to 2 million tons below the record procurement of 22.8 million tons in MY 2003/04.

Stocks Dip Below the Desired Minimum Level

Despite record rice procurement in MY 2003/04, government rice stocks fell to 6.1 million tons on October 1, 2004, which is below the government's desired buffer stock level of 6.5 million tons. Higher offtake for domestic distribution and for exports caused the draw down in stocks.

Exports Down But Not Out

Monthly rice exports averaged 200,000 tons recently, mainly basmati and parboiled rice to Saudi Arabia, Nigeria, and other African countries. Jan-Nov 2004 exports are estimated at around 2.6 million tons. Exceptionally large quantities (mostly basmati) are moving to Saudi Arabia, which from January to November 2004 are estimated at over 900,000 tons. The other major destination is Nigeria. After heavy exports earlier this calendar year, exports to Bangladesh have dwindled. It is noteworthy that exports this year do not entail any government subsidy and are mostly on private account.

WHEAT

No change in the PS&D Table.

Planting Ahead of Last Year

Bolstered by favorable planting conditions caused by late rains in the major growing regions, wheat planting is reported to be well ahead of last year. The optimum planting time for wheat is up through November. Late planting results in yield reductions. The Indian government has set a production target of 78 million tons of wheat for MY 2005/06, compared with the MY 2004/05 production of 72 million tons and the MY 2000/01 record of 76.4 million tons. Realizing this ambitious production target would require favorable growing conditions and optimum input use, combined with increased planted area. However, with the price of several competing crops, like rapeseed and other oilseeds, remaining high, it is unlikely that there will be a significant increase in wheat planted area.

Support Price Up

After keeping the support price unchanged for the 2004 crop, the government has increased the support price for the 2005 crop by rs. 100 (\$2.20) to rs. 6,400 (\$140.70) per ton (\$3.80 per bushel). This increase in the support price will likely make Indian wheat less competitive in the world market, and would also result in an increased domestic food subsidy, unless the sales price for domestic distribution is increased. In MY 2004/05, when the support price of

wheat was rs. 6,300 per ton, the estimated economic cost to the government was rs. 9,248 (\$203) per ton, as the government pays various taxes and levies to states, commissions to middlemen, and also incurs the bagging and transportation cost to move grain from the *mandis* (grain markets) to warehouses and consumption centers. The hike in the support price, combined with higher transportation costs (as a result of the recent increase in petroleum product prices), will likely result in a significant increase in government's economic cost for wheat in MY 2005/06.

Food-for-work Scheme Launched

As part of the government's poverty alleviation initiatives, Prime Minister Manmohan Singh recently launched the national food-for-work program in the state of Andhra Pradesh, seeking to provide food-linked employment opportunities to poor people in 150 most underdeveloped districts in the country. The scheme would entail the central government providing 5 kilograms of grain (wheat/rice) per day, in addition to the states paying a minimum of 25 percent of the wage component in cash to people covered under the program. The annual grain requirement under this scheme is estimated at 5 million tons. This food-for-work program would generate an additional demand for wheat and rice in India. This has led Agriculture Minister Sharad Pawar, who is also the Minister for Consumer Affairs, Food, and Public Distribution, to rule out any export subsidies for wheat and rice this year.

Stocks Down, Prices Up

Government wheat stocks on October 1, 2004, were 14.2 million tons, compared with 18.4 million tons a year ago, and 35.6 million tons two years ago. Domestic wheat prices are firming up with the current Delhi wholesale price for ordinary milling wheat at rs. 7,800 (\$171) per ton, compared with rs. 7,500 a year ago. With five more months to go before the new crop hits the market, prices are likely to strengthen even more in coming months, which is likely to result in increased pressure on government stocks.

Exports Tapering Off

In the absence of government subsidy, Indian wheat is no longer competitive in the world market and exports are tapering off, with only small exports to the Middle East and neighboring countries like Bangladesh, Sri Lanka, and Myanmar. July through November 2004 exports are estimated at around 700,000 tons, and full-year exports may reach 800,000 tons.

CORN

No change in the PS&D table.

Indian corn exports are virtually over for the year, with only small quantities still moving to Sri Lanka and Bangladesh. A corn exporter reported that although India has an exportable surplus of corn, Indian corn is not competitive in the world market because of the low world prices.

PULSES

The Indian government temporarily relaxed import conditions for U.S. pulses (peas, lentils, and chickpeas) up to December 31, 2004. India had been insisting on fumigation by methyl bromide at the port of loading, which jeopardized U.S. pulse exports.

Table 1. Government Procurement, Stocks, and Offtake of Rice (year ago)
(Million metric tons)

	Stocks	Procurement Cumulative	Imports	Offtake *
Oct 1, 2003	5.2 (15.8)			1.9 (2.0)
Nov 1	5.7 (20.5)			1.5 (1.6)
Dec 1	10.9 (20.3)			1.5 (1.8)
Jan 1, 2004	11.7 (19.4)			1.9 (1.8)
Feb 1	12.4 (18.8)			1.6 (1.6)
Mar 1	13.6 (26.0)			2.0 (2.4)
Apr 1	13.1 (17.2)			1.5 (1.7)
May 1	12.7 (15.3)			1.7 (2.5)
Jun 1	12.3 (13.2)			2.0 (2.9)
Jul 1	10.8 (11.0)			1.7 (3.3)
Aug 1	9.1 (8.1)			1.7 (1.7)
Sep 1	7.1 (7.1)	22.8 (16.4) 1/		1.7 (1.9)
Oct 1	6.1 (5.2)	8.3 (8.0) 2/		

1/ Cumulative procurement: October 1, 2003 to September 30, 2004

2/ Cumulative procurement: October 1, 2004 to November 16, 2004

***** Includes exports

Table 2: Government Procurement, Stocks, and Offtake of Wheat (year ago)
(Million metric tons)

	Stocks	Procurement Cumulative	Imports	Offtake *
Oct 1, 2003	18.4 (35.6)			2.0 (2.3)
Nov 1	16.4 (33.1)			1.8 (1.7)
Dec 1	14.6 (31.3)			1.9 (2.4)
Jan 1, 2004	12.7 (28.8)			1.8 (2.4)
Feb 1	11.0 (21.3)			1.7 (2.7)
Mar 1	8.6 (18.6)	15.8 (19.0) 1/		1.9 (2.9)
Apr 1	6.9 (18.6)			1.3 (1.8)
May 1	19.0 (26.0)			1.2 (2.1)
Jun 1	19.4 (26.6)			1.4 (2.7)
Jul 1	19.2 (24.2)			1.5 (2.6)
Aug 1	17.4 (22.4)			1.4 (1.9)
Sep 1	15.8 (20.7)			1.6 (2.2)
Oct 1	14.2 (18.4)	16.8 (15.8) 2/		

1/ Cumulative procurement: April 1, 2003 to March 31, 2004

2/ Cumulative procurement: April 1, 2004 to September 27, 2004

***** Includes exports

Source: Government of India